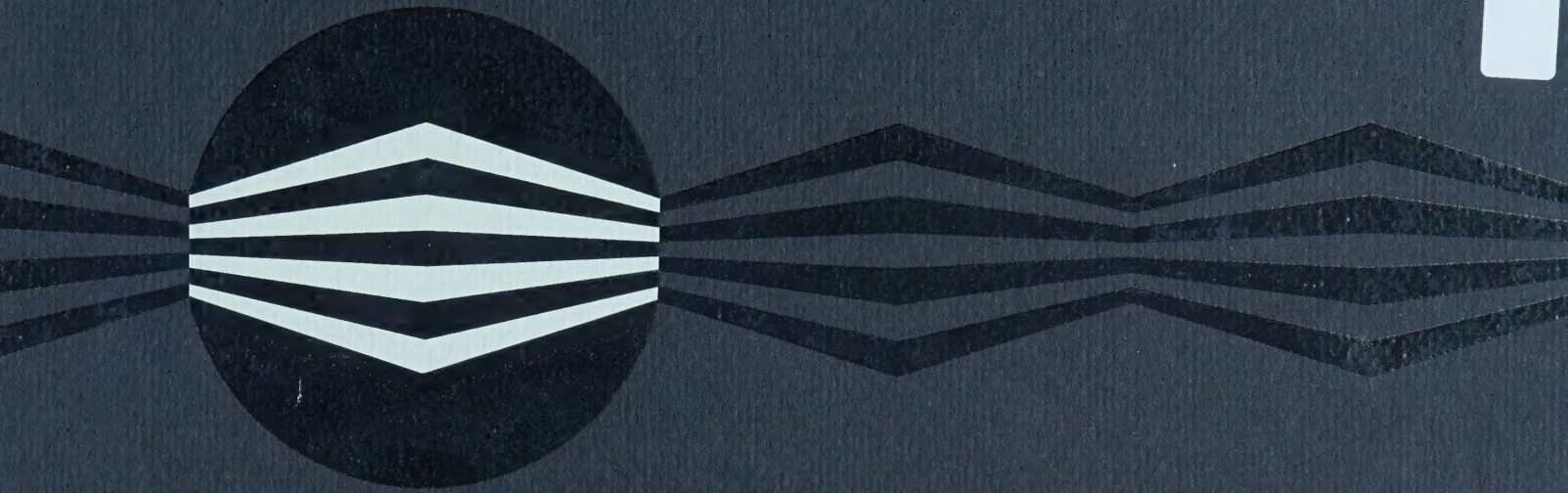
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ORLANDO



ORLANDO

THE ORLANDO REALTY CORPORATION LIMITED

ANNUAL REPORT 1973

The financial statements tell you we've just had the best year in our history. In this report we try to outline how and why — and introduce some of the key people responsible.

Orey Fidani, *President*



The financial statements tell you we've just had the best year in our history. In this report we try to outline how and why — and introduce some of the key people responsible.

Orey Fidani, *President*



President's Report

To Our Shareholders:

In accordance with our expectations of a year ago, your Company had another successful year in 1973, realizing new highs in net earnings and cash flow.

Net earnings increased 80% to $1,595,961 from $888,687 in 1972. This represents per share earnings of $1.21 compared to 68¢ in the previous year.

Cash flow from operations increased to $3,742,917 ($2.84 per share) from $2,160,895 ($1.65 per share) in 1972.

Net rental income for the year amounted to $2,259,475 compared with $1,874,485 in 1972. On an annualized basis this represents an increase over 1972 of approximately 50%.

The quality of your Company's net earnings continues at a high level. This has been achieved by the well planned growth of our portfolio of income-producing properties. At December 31, 1973 this portfolio consisted of 5,100,100 square feet of industrial and commercial buildings exclusive of residential holdings.

The volume of work undertaken by the construction and road building divisions for other companies and municipalities totalled more than $16,000,000 for the year.

During 1973 your Company commenced development of two major industrial parks in the Metropolitan Toronto area — West/Finch Industrial Park and Airport Industrial Park West. In addition, a large tract of land was acquired to create a third industrial park in Whitby, Ontario.

We are broadening our parameters of operation by entering into the Quebec market and negotiations commenced in 1973 to assemble several large parcels of industrial land in the Montreal area.

In the commercial field, the 1000 Islands Mall Shopping Centre opened in September, 1973 and construction plans were well advanced for the expansion of the Bayview Village Shopping Centre and the Bridlewood Mall site. We are planning, wherever possible, to expand existing shopping centres to maximize revenues from these well located properties.

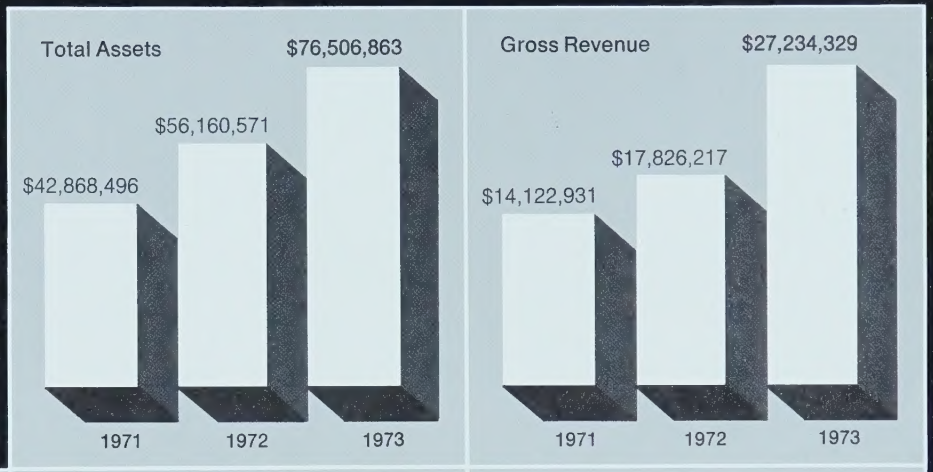
Your Company continues its policy of engaging highly capable personnel and several experienced professionals were added to our staff in 1973. Our employees have been our biggest asset in past years and have grown with us. Our success relates directly to them and we take this opportunity to extend our warmest thanks.

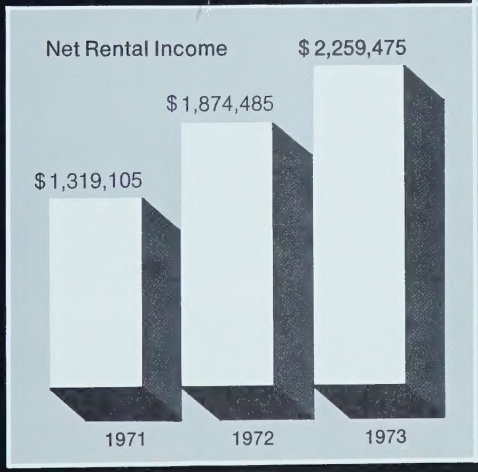
On behalf of the Board of Directors

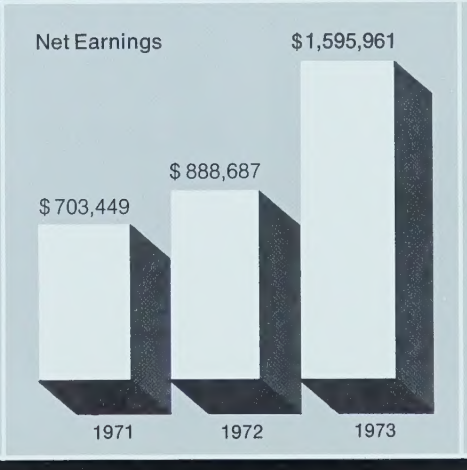


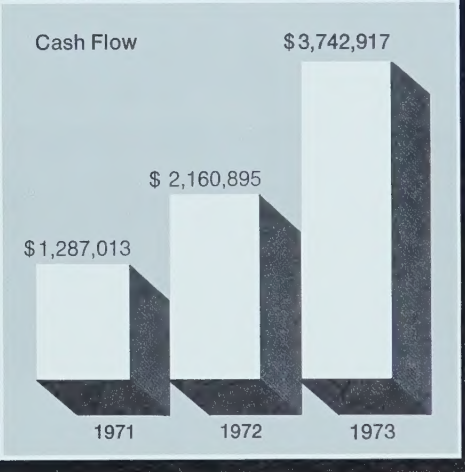
Orey Fidani, President
May22, 1974.

Financial Highlights – A Three Year Summary











Samuel Craig *Executive Vice-President*

All too often the term 'industrial park' is a misnomer for an 'industrial ghetto' — we create 'parks'

Industrial

In 1973 your Company enjoyed its most active and financially rewarding year in the field of industrial development with some 28 individual projects completed or undertaken.

These projects comprised some 2,766,000 square feet of buildings with a construction value in excess of $25,000,000. Each of these buildings was committed before construction commenced. More than half of this space is to be retained in the Company's portfolio and will, therefore, contribute significantly to future net rental income — in fact, rental income on an annualized basis at December 31, 1973 compared to December 31, 1972 has increased by some 50%.

Our programme of land replenishment at a rate greater than absorbtion continued in 1973, and included the addition of a 70-acre site in Whitby. Installation of services will begin here in the fall of 1974.

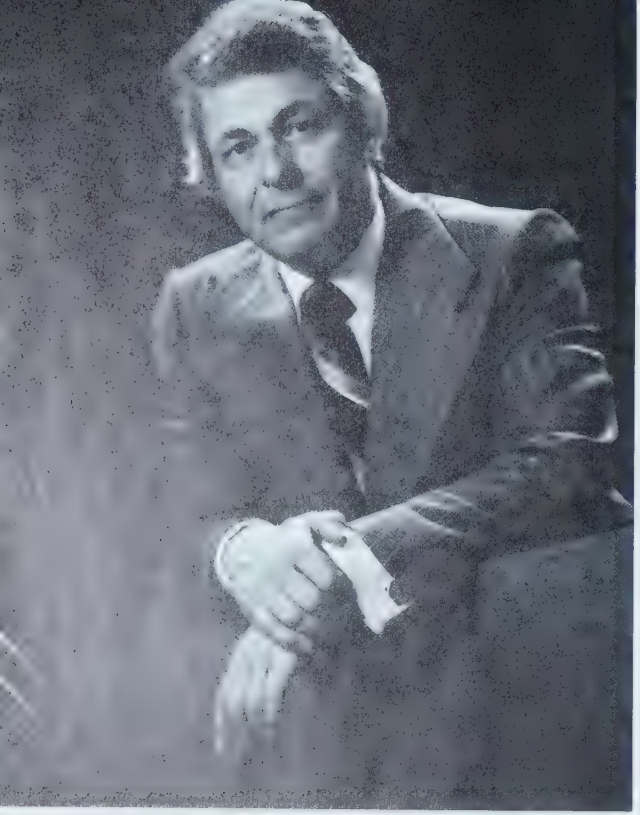
West/Finch Industrial Park is now fully serviced with construction of four new buildings well underway. Servicing of our 100-acre Airport Industrial Park West was undertaken during the year with scheduled completion for mid 1974.

Of special note, 1973 saw the initiation of negotiations which have resulted in the expansion of your Company into the Montreal marketplace.

This unparalleled rate of growth for Orlando is greatly attributable to the "total package" of services offered to our clients, including site selecion, land assembly, engineering, architectural design, financing and construction.

Our philosophy of providing more than is called for by municipal requirements is exemplified by our approach to the Airport Industrial Park and the West/Finch project. Greater set backs, more green space and innovations such as "boulevard services" (installing sewers, etc. beside the roadbed) have contributed to Orlando not only being Canada's largest, but one of its most respected developers of industrial properties.


airport
park
offices & industrial
airport
park
offices & industrial



Warren Scott *Executive Vice-President — Commercial*



We are developers of retail shopping units, not just real estate developers — there's a substantial difference

Commercial

With the opening of 1000 Islands Mall in Brockville — 50% owned by your Company — we entered a new phase in our regional shopping centre programme. 1000 Islands Mall is a dual-purpose centre designed to serve an expanding consumer market consisting of not only the municipality but the heavy 'through' tourist trade as well.

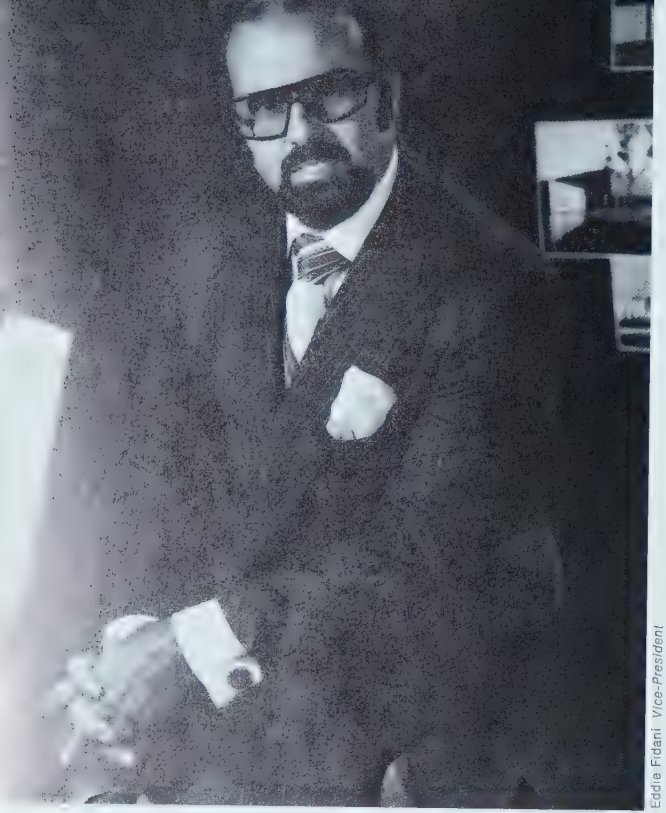
We are actively planning the 350,000 square foot Bridlewood Mall, with construction scheduled to begin in late summer 1974. This 22-acre site is one of the last major shopping centre locations in Metropolitan Toronto.

Also in Toronto, plans are well underway for the expansion of our Bayview Village Shopping Centre. This centre caters to a 'carriage-trade' clientelle, and its expansion is being planned and developed accordingly.

New shopping centre sites are now a scarce commodity in Ontario, and the jurisdiction exercised by newly-formed regional governments has resulted in the necessity of a great deal more time and effort being expended in the ripening of sites. Your Company is engaged in the acquisition and zoning of land in several Ontario municipalities and one of these sites, in St. Thomas, received final zoning approval from the Ontario Municipal Board in April 1974.

We are also currently reviewing land use at existing locations and considering several methods of expansion to achieve greater land efficiency and enhance our shopping centres' retailing strength.


Frontenac
Mall



Eddie Fidani *Vice-President*



Our construction team gives substance to our architects' concepts

Construction

The Construction Division of Orlando is at the very foundation of the Company's "total package" concept.

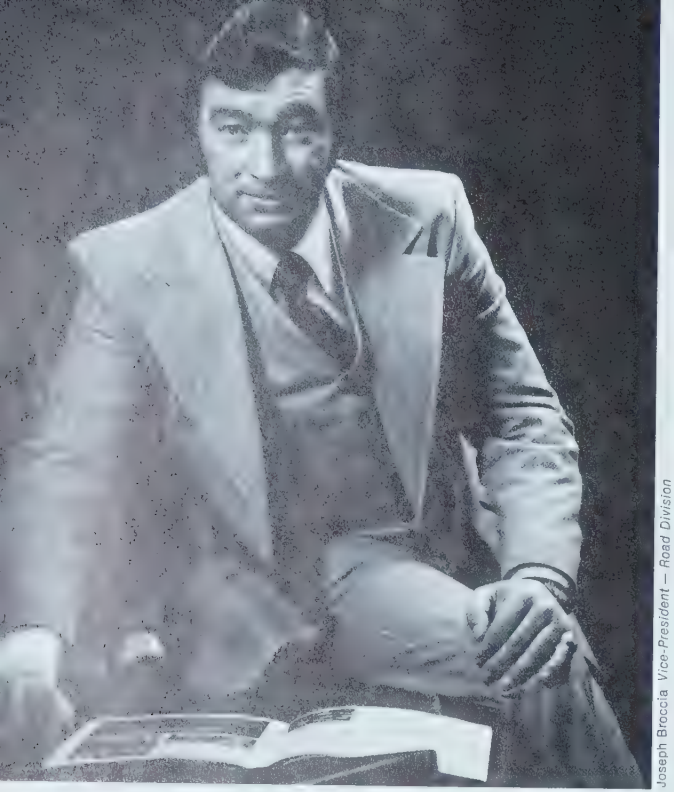
This concept, co-ordinated through our "in-depth" team in estimating, purchasing and construction management, provides the needed efficiencies in time and costs that enable the Company to maintain control over all phases of any project.

The diversification of our construction programme in the year 1973, was evident in such varied specialized projects as food processing plants, distribution centres, hotel and office buildings.

The Division has established an impressive track record in obtaining priorities on supplies, meeting completion dates and satisfying client needs.

The result is reflected in another all-time record in the value of work undertaken in 1973.





Joseph Broccia, *Vice-President — Road Division*



Municipal road building programmes are expanding — we intend to do our share

Road Building

Pave-Al Limited, a wholly owned subsidiary of Orlando, expanded its capacity enabling it to produce and lay more than 2,000 tons of asphalt per day during 1973.

Apart from meeting Orlando's own paving requirements, Pave-Al's growth is concentrated towards fulfilling contracts for municipalities and general contractors. Excess plant capacity is utilized for production of asphalt for sale to smaller paving companies.

Pave-Al is fully diversified, with the capability to undertake large and small contracts in both residential and industrial developments.


PAVE-AX







Real Estate Holdings

December 31, 1973

	Buildings (sq. ft.)		Land Held For Development (Acres)
	Completed	Under Construction	
Industrial			
Metropolitan Toronto Area			
Airport Industrial Park	2,481,200	94,200	84*
West/Finch Industrial Park			103
Airport Industrial Park West			100
Thickson Industrial Park — Whitby			71
Other	572,600	4,100	70
Other areas in Southern Ontario	235,800		
Total industrial holdings	3,289,600	98,300	428
Commercial			
Toronto—Bayview Village Shopping Centre	257,500		
—Other	250,100		22
Oshawa—Midtown Mall Shopping Centre	156,000		
Sarnia—Lambton Mall Shopping Centre**	299,100		
London—Oakridge Mall Shopping Centre	265,000		
—Wharncliffe Plaza	23,500		
Kingston—Frontenac Mall Shopping Centre	245,000		
Brockville—1000 Islands Mall Shopping Centre**	216,000		
Total Commercial Holdings	1,712,200		22
Total Industrial and Commercial Holdings	5,001,800	98,300	450
Residential			
Toronto	374 Suites		

*Land Developed jointly with North American Life Assurance Company
**50% owned


Sarnia
London
Toronto
Whitby
Oshawa
Kingston
Brockville
Montreal
ONTARIO
QUÉBEC


ORLANDO

THE ORLANDO REALTY CORPORATION LIMITED

6205 Airport Road, Mississauga,
Ontario L4V 1E3

Directors

William Bartolini
Samuel Craig
Eddie Fidani
Orey Fidani
Ross Hanbury
Albert Page
Warren Scott
Lloyd Suitor

Officers

Orey Fidani
President

Samuel Craig
Executive Vice-President

Eddie Fidani
Vice-President

Lloyd Suitor
Vice-President — Finance

Warren Scott
Executive Vice-President — Commercial

Victor Zanelli
Vice-President — Purchasing

Joseph Boccia
Vice-President — Road Division

William Bartolini
Secretary

Anthony Spatola
Treasurer

Transfer Agent and Registrar
Guaranty Trust Company of Canada
Toronto

Auditors
Wm. Eisenberg & Co.
Chartered Accountants

Listed
Toronto Stock Exchange

Financial Statements

Auditors' Report

To the Shareholders of
The Orlando Realty Corporation Limited.

We have examined the consolidated balance sheet of The Orlando Realty Corporation Limited and its subsidiaries as at December 31, 1973 and the consolidated statements of earnings and retained earnings and source and use of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and use of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
May 16, 1974

Wm. Eisenberg & Co.
Chartered Accountants

THE ORLANDO REALTY CORPORATION LIMITED

Consolidated Statement of Earnings and Retained Earnings

for the year ended December 31, 1973

	1973	1972
Revenue		
Rental income	$ 7,085,853	$ 5,653,333
Property operating expenses	1,195,945	1,034,815
Mortgage interest	3,235,908	2,433,545
Depreciation (note 2(c))	394,525	310,488
	4,826,378	3,778,848
Net rental income	2,259,475	1,874,485
Construction contracts (note 2(e))	16,987,760	11,401,029
Property sales	2,670,281	324,658
	19,658,041	11,725,687
Direct costs	17,101,922	10,778,115
Profit from construction contracts and sales	2,556,119	947,572
Profit from joint venture land development (note 13)	369,347	170,822
Interest and sundry income	121,088	276,375
	5,306,029	3,269,254
Expenses		
Selling, general and administrative	1,619,090	1,197,774
Interest other than mortgage interest on income-producing properties	227,344	103,444
Amortization of deferred expenses	57,728	50,030
Depreciation of property, plant and equipment (note 2(c))	185,651	130,527
	2,089,813	1,481,775
Net earnings before income taxes and minority interest	3,216,216	1,787,479
Income taxes — current	17,201	24,218
— deferred (note 11)	1,603,054	873,059
	1,620,255	897,277
Net earnings before minority interest	1,595,961	890,202
Minority interest in earnings of subsidiary company	—	1,515
Net earnings	1,595,961	888,687
Retained earnings, balance beginning of year	5,137,240	4,248,553
Retained earnings, balance end of year	$ 6,733,201	$ 5,137,240
Earnings per share (note 15)	$1.21	$.68

The accompanying notes are an integral part of these consolidated financial statements.

THE ORLANDO REALTY CORPORATION LIMITED
Consolidated Balance Sheet
as at December 31, 1973

Assets	1973	1972
Cash and short-term note (note 14(b))	$ 172,500	$ 32,215
Accounts receivable	3,969,121	3,995,585
Income taxes recoverable	164,845	708,319
Mortgages receivable (note 3)	2,746,416	1,154,603
Construction contracts in progress (note 2(e))	161,559	379,937
Deposits on land	272,000	482,167
Properties under development — at cost (note 4)	2,346,218	1,306,665
Income producing properties — at cost less accumulated depreciation of $1,984,299 (1972 — $1,623,494) (note 2(c))	51,101,778	39,781,337
Land held for development — at cost	12,135,246	6,189,913
Property, plant and equipment — at cost less accumulated depreciation of $512,418 (1972 — $374,260) (note 2(c))	1,455,477	1,015,986
Investment in and advances to associated company (note 5)	456,845	483,753
Prepaid expenses and sundry assets	329,343	320,722
Deferred development expenses (note 6)	487,959	146,959
Deferred expenses less amounts amortized	707,556	162,410
	$76,506,863	$56,160,571

The accompanying notes are an integral part of these consolidated financial statements.

	1973	1972
Liabilities		
Bank indebtedness (note 7)	$ 792,338	$ 4,092,240
Term bank loan	—	2,250,000
Accounts payable and accrued liabilities	4,986,973	5,157,478
Secured loan (note 8)	149,986	154,453
Prepaid rents and deposits	381,033	291,463
Mortgages on income producing properties (note 9)	50,116,861	28,519,266
Mortgages on land held for development (note 10)	3,515,214	2,382,537
Deferred income taxes (note 11)	6,381,093	4,811,262
Minority interest in subsidiary company	—	14,468
	66,323,498	47,673,167
Shareholders' Equity		
Capital stock (note 12)		
Authorized		
3,000,000 shares without par value		
Issued and outstanding		
1,320,700 shares (1972 — 1,310,700 shares)	3,450,164	3,350,164
Retained earnings	6,733,201	5,137,240
	10,183,365	8,487,404
	$76,506,863	$56,160,571

Approved on behalf of the Board

Orey Fidani, *Director*

Samuel Craig, *Director*

THE ORLANDO REALTY CORPORATION LIMITED
Consolidated Statement of Source and Use of Cash
for the year ended December 31, 1973

	1973	1972
Source of Cash		
Operations		
Net earnings	$ 1,595,961	$ 888,687
Add: Charges not requiring a cash outlay:		
Depreciation	580,176	441,015
Deferred income taxes	1,603,054	873,059
Amortization of deferred expenses	57,728	50,030
Minority interest in earnings of subsidiary company	—	1,515
	3,836,919	2,254,306
Deduct: Equity in undistributed cash flow from operations of associated company	94,002	93,411
Cash flow from operations	3,742,917	2,160,895
Mortgage and term loans	24,513,775	6,792,594
Capital stock issued (note 12)	100,000	—
Recovery of cost of properties sold, net of mortgage liability assumed	2,442,173	309,815
	$30,798,865	$ 9,263,304
Use of Cash		
Income producing properties	$13,006,097	$ 6,209,655
Land held for development	8,154,242	5,778,020
Property, plant and equipment (net)	577,449	392,219
Principal repayments on mortgages and term loans	3,992,980	546,532
Reduction of minority interest in subsidiary company	14,468	1,487,831
Deferred expenses	943,874	230,457
Net change in other assets and liabilities	669,568	51,061
	27,358,678	14,695,775
Decrease (increase) in net bank indebtedness	3,440,187	(5,432,471)
	$30,798,865	$ 9,263,304
Cash flow from operations — per share (note 15)	$2.84	$1.65

The accompanying notes are an integral part of these consolidated financial statements.

THE ORLANDO REALTY CORPORATION LIMITED
Notes to the Consolidated Financial Statements
December 31, 1973

1. Principles of Consolidation

(a) The consolidated financial statements include:
(i) The accounts of The Orlando Realty Corporation Limited and all of its subsidiaries.
(ii) The Company's 50% share of the assets, liabilities, revenue and expenses of two unincorporated joint ventures. The assets of these unincorporated joint ventures included in the consolidated financial statements amount to $3,196,455 (1972 — $1,451,990).
(iii) The Company's 50% share of the revenue and expenses of a corporate joint venture, Lambton Mall Limited. The investment in Lambton Mall Limited is shown at cost plus the Company's share of its undistributed net earnings from inception to December 31, 1973.

2. Accounting Policies

(a) The Company is a member of the Canadian Institute of Public Real Estate Companies. The Company's accounting policies and its standards of financial disclosure are in accordance with the recommendations of that Institute in all material respects and with the findings of the research study of Accounting for Real Estate Development Operations published by the Canadian Institute of Chartered Accountants.

(b) Carrying charges directly attributable to land held for development and to income producing properties during construction are capitalized as part of their cost. Carrying charges include interest, property taxes, maintenance costs and salaries of development personnel, net of rental income. The total amount of carrying charges capitalized in 1973 amounted to $842,284, including salaries of $90,628.

(c) Depreciation of income producing properties is provided on the sinking fund method whereby building costs are being written off over the estimated useful life in annual amounts increasing at the rate of 5% compounded annually. The estimated useful life is forty years for shopping centres and fifty years for office, industrial and apartment buildings. Depreciation of property, plant and equipment is provided on a straight-line basis over the estimated useful life of these assets which varies from five to twenty-five years.

(d) Leasing costs are set up as deferred expenses and amortized over periods varying from three years to the term of the lease. Financing expenses not capitalized as a cost of land held for development or income-producing properties are amortized over the term of the loan.

(e) Revenue from construction contracts is recorded on the basis of percentage of completion whereby contract revenue and related costs are recognized in the period in which work is performed. Contract costs incurred for which no revenue has been recognized are shown as construction contracts in progress.

3. Mortgages Receivable

These bear interest at an average annual rate of 9.8% and are repayable as to principal approximately as follows:

1974	$1,905,032
1975	148,790
1976	500,756
1977	36,530
1978	5,163
subsequent to December 31, 1978	150,145
	$2,746,416

4. Properties Under Development

These consist of two income producing properties under construction. Theses properties will be completed in 1974 and the costs to complete are estimated to be $379,000. Long-term mortgage financing has been arranged on both of these properties.

5. Investment In and Advances To Associated Company

This represents the Company's 50% interest in Lambton Mall Limited, which owns and operates a regional shopping centre in Sarnia, Ontario and consists of:

	1973	1972
Shares—at cost	$ 500	$ 500
8% debentures due 1989	3,000	3,000
Non-current receivable due 1989, but subject to earlier repayment on the basis of cash flow and bearing interest at 8% per annum	337,000	337,000
Equity in undistributed earnings	112,498	83,354
Current receivable	3,847	59,899
	$456,845	$483,753

6. Deferred Development Expenses

These include architectural and design fees and other expenses in connection with specific projects under consideration. These expenses will be added to the cost of the projects when construction commences.

7. Bank Indebtedness

The bank indebtedness is payable on demand and is secured by a general assignment of book debts.

8. Secured Loan

This is a 9¼ % loan maturing in 1974 and is secured by a mortgage of a first mortgage held by the Company.

THE ORLANDO REALTY CORPORATION LIMITED
Notes to the Consolidated Financial Statements
December 31, 1973

9. Mortgages on Income Producing Properties

These mortgages bear interest at an average annual rate of 9.2% and are repayable as to principal approximately as follows:

1974	$ 1,047,275
1975	1,121,156
1976	3,090,896
1977	2,196,867
1978	1,274,563
subsequent to December 31, 1978	41,386,104
	$50,116,861

10. Mortgages on Land Held For Development

These mortgages bear interest at an average annual rate of 8.3% and are repayable as to principal approximately as follows:

1974	$1,050,847
1975	219,284
1976	84,347
1977	30,347
1978	131,447
subsequent to December 31, 1978	1,998,942
	$3,515,214

11. Deferred Income Taxes

For tax purposes, the Company has:

(a) claimed capital cost allowances which have exceeded recorded depreciation.

(b) written off capitalized carrying charges and deferred expenses in the year incurred.

(c) reported revenue from contracts on the completed contract basis.

The income taxes payable on these timing differences between financial and tax reporting are recorded as deferred income taxes.

12. Capital Stock

The Company has reserved 12,350 shares of its authorized capital stock for employees' stock options which may be exercised on or before April 30, 1974 at a price of $10 per share. During 1973, options in respect of 10,000 shares were exercised for a total cash consideration of $100,000.

13. Profit From Joint Venture Land Development

The Company participates with the owner of a land development project in profits earned on land sales. Under the terms of the joint venture agreement, the profits are payable to the Company only as they are received and are included in income on this basis.

14. Contingent Liabilities

(a) The aggregate annual minimum rent payable under land leases is as follows:

1974 to 1999	$33,653
2000 to 2047	$25,000

(b) There are letters of credit outstanding amounting to $1,290,038 in favour of municipalities in connection with development agreements. In addition, a short-term note of $170,798 held by the Company has been assigned to a municipality under the terms of a development agreement.

15. Per Share Earnings and Cash Flow From Operations

Per share earnings and cash flow from operations are based on the weighted monthly average number of shares outstanding during each year (1,319,000 in 1973 and 1,310,700 in 1972). Exercise of employees' stock options outstanding would not materially dilute the per share earnings and cash flow from operations.

16. Statutory Information

(a) The aggregate direct remuneration of directors and senior officers paid by the Company and its subsidiaries in 1973 amounted to $573,322 (1972—$413,210).

(b) Interest expense includes the following:

	1973	1972
Interest on long-term debt	$3,834,005	$2,557,278
Interest on bank loans	275,169	143,304
	4,109,174	2,700,582
Less interest capitalized	645,922	163,593
Total interest expense	$3,463,252	$2,536,989

17. Reclassification of 1972 Figures

Certain figures for 1972 in the consolidated statement of source and use of cash have been reclassified to conform with the 1973 financial statement presentation.



ORLANDO